

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Bangladesh

## Grain and Feed Annual

**2011**

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**Report Highlights:**

Assuming normal weather conditions, Bangladesh's food grain production in MY 2011/12 is forecast to reach 33.95 million tons (33 million tons of rice and 0.95 million tons of wheat). Imports are forecast at 600,000 tons of rice and 2.5 million tons of wheat. The rice import estimate for MY 2010/11 is revised to 1.1 million tons due to higher than expected government food grain imports.

## Commodities:

Rice, Milled

## Production:

Assuming a normal monsoon, Bangladesh rice production for MY 2011/12 (July-June) is forecast at 33 million tons from 12 million hectares of land.

Rice production in MY 2010/11 is estimated at 32.3 million tons, up 4 percent from the previous year. Bangladesh harvests three rice crops a year. The MY 2010/11 first rice crop, known locally as “*Aus*” (planted in March/April and harvested in June/July), is estimated to be 1.7 million tons. The “*Aman*” or second crop (planted in July/August and harvested in November/December) was affected by poor monsoon and drought conditions in large parts of the country during the critical planting and initial growth stages. As weather conditions improved during the later growing and ripening stages, production reached an estimated 12.6 million tons, 0.8 percent higher than the previous year. The Government’s initiative to ensure free electricity for supplementary irrigation, along with readily available fertilizer, credit support and extension services helped to further minimize potential crop losses. The irrigation dependent rice crop, known locally as “*Boro*” (planted in December/January and harvested in April/May), is currently in its vegetative stage. Given favorable weather conditions, the current Boro rice crop is expected reach 18 million tons.

Rice Area and Production estimates are shown in the table below:

Crop	2009/10 (Estimate)		2010/11 (Estimate)		2011/12 (Forecast)	
	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)
Aus	1,020	1,500	1,100	1,700	1,000	1,700
Aman	5,780	12,500	5,800	12,600	5,900	13,000
Boro	4,800	17,000	4,900	18,000	5,100	18,300
<b>Total Rice</b>	<b>11,600</b>	<b>31,000</b>	<b>11,800</b>	<b>32,300</b>	<b>12,000</b>	<b>33,000</b>

The Government of Bangladesh (GOB) is intent on achieving self-sufficiency in food grain production based on rice. Toward this end, last year the GOB introduced an “Input Distribution Card” to nine million small and marginal farmers. The cards are now used to obtain cash subsidies for electricity and fuel for irrigation, for purchasing fertilizer at government fixed prices and for other forms of government support (i.e. agricultural credit at preferential interest rates).

## Consumption:

Rice consumption for MY 2011/12 (food, seed, and feed use) is forecast at 33.8 million tons, a 2.4 increase from the MY 2010/11 estimate. The increase in consumption is largely due to population growth, the expanding public distribution system for rice under subsidized open market sales (OMS), and the vulnerable group feeding program.

Despite relatively good harvests, rice prices in Bangladesh have been steadily increasing since January 2010. In December 2010, the average wholesale price for coarse rice was 30,500 Taka (US \$436) per ton, 36 percent higher than the same period the previous year. While the GOB suspects that some millers and wholesalers are hoarding rice to control market supplies, there could be a number of other factors influencing prices. Aside from the external pressure of increasing international

prices, production costs in Bangladesh, particularly labour, are increasing. Buffer stocks under government domestic procurement have also been less than expected (550,000 tons against the targeted 1.2 million tons). On January 1, 2011, the GOB initiated OMS of rice to better ensure food security for the most vulnerable. Under this program, individuals can purchase a maximum of 5 kg of rice per month at 24 Taka (\$0.34) per kg. Additionally, the GOB is planning to launch a program to supply foodgrains at subsidized prices to about 10 million people through the extended Open Market Sales (OMS), Fair Price Cards for fourth class employees, and special provisions for village police.

## **Trade:**

Based on the current production forecast and carryover stocks held by the GOB, by farmers and traders, MY 2011/12 rice imports are forecast at 600,000 tons.

With the significant short fall of domestic procurement, the GOB is seeking to build up rice stocks to increase its ability to intervene in the market when prices spike. Delayed shipments and unpredictable supplies – including some uncertainty with respect to a 300,000 ton shipment from India – prompted the GOB to seek an import agreement with Vietnam for 250,000 tons of rice. As India and Bangladesh appear now to have settled the terms of the 300,000 ton shipment, Bangladesh rice imports are estimated to reach to 1.1 million tons in MY 2010/11 (850,000 tons in the public sector and the rest through private imports). Considering that rice imports were only 90,000 tons in MY 2009/10, the GOB is facing a considerable logistical challenge in concluding all the imports planned for the 2010/11 MY. Moreover, as GOB imports increase, private sector sales appear to be tapering off. As of December 31, 2010, Bangladesh rice imports reached 568,000 tons (371,000 tons purchased by the public sector). In calendar year 2009, Bangladesh imported 150,000 tons of rice.

## **Stocks:**

MY 2010/11 rice beginning stocks held by the public sector declined to 638,000 tons (in MY 2009/10, beginning stocks were 1.1 million tons. In 2009/10, as market prices remained above the government offer price, the GOB managed to only reach 39 percent of its target rice procurement. The GOB rice procurement target for MY 2010/11 is 1.55 million tons, compared to last year's actual procurement of 580,000 tons. Government rice stocks, as of December 31, 2010, were 540,000 tons, compared to 983,000 tons in the previous year. The MY 2010/11 target for public distribution of rice is 1.8 million tons (1.1 million tons for free distribution to the most food insecure population and 700,000 tons for sale at subsidized prices). In MY 2009/10, the GOB distributed 1.31 million tons (approximately 63 percent was distributed through the Food for Works (FFW) and Vulnerable Group Feeding (VGF) programs; the remaining 37 percent was through subsidized sales).

## **Policy:**

Rice imports are currently duty free. There are no quantitative restrictions on rice imports. Since May 2008, Bangladesh has imposed a ban on rice exports. To expedite the international procurement process, the GOB has taken action to streamline the approval process for rice tenders, reducing the time frame from 25-30 days to an estimated 7-10 days. The inter-ministerial decision was taken on February 13, 2011.

## **Marketing:**

Bangladesh typically purchases lower quality (25% or more broken) parboiled rice. However, there is a small niche market for high quality (basmati or equivalent) rice imported from India/Pakistan. Due to geographical proximity, India has been the principal supplier to Bangladesh. However, India's ban on rice export has pushed Bangladeshi importers to seek alternative suppliers in countries like Myanmar, Vietnam, Thailand, Pakistan and China. Freight costs and shipping distances place U.S. rice at a competitive disadvantage.

## **Production, Supply and Demand Data Statistics:**

Table 1: Commodity, Rice, Milled, PSD

Rice, Milled	Bangladesh	2009/2010		2010/2011		2011/2012	
		Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		11,600	11,600	11,800	11,800		12,000
Beginning Stocks		1,148	1,148	638	638		1,038
Milled Production		31,000	31,000	32,300	32,300		33,000
Rough Production		46,505	46,505	48,455	48,455		49,505
Milling Rate (.9999)		6,666	6,666	6,666	6,666		6,666
MY Imports		90	90	900	1,100		600
TY Imports		660	660	600	750		550
TY Imp. from U.S.		0		0			
Total Supply		32,238	32,238	33,838	34,038		34,638
MY Exports		0		0			
TY Exports		0		0			
Consumption and Residual		31,600	31,600	32,850	33,000		33,800
Ending Stocks		638	638	988	1,038		838
Total Distribution		32,238	32,238	33,838	34,038		34,638
Yield (Rough)		4.	4.0091	4.	4.1064		4.1254
TS=TD			0		0		0

### Author Defined:

Table 2: Commodity, Rice, Import Trade Matrix

Import Trade Matrix			
Country	Bangladesh		
Commodity	Rice, Milled		
Time Period		Units:	
Imports for:	2009		2010
U.S.		U.S.	
Others		Others	
India	-	Thailand	150,000
Pakistan	15,000	Myanmar	170,000
Vietnam	15,000	Pakistan	160,000
Myanmar	75,000	Vietnam	100,000
China	5000	China	10,000
Total for Others	110,000		590,000
Others not Listed	40,000		70,000
Grand Total	150,000		660,000

Table 3: Commodity, Rice, Prices

Prices Table			
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Country	Bangladesh		
Commodity	Rice, Milled		
Prices in	2009	per uom	
Year	2009	2010	% Change
Jan	24800	23000	-7%
Feb	23380	23000	-2%
Mar	21540	22800	6%
Apr	19240	22500	17%
May	19220	22750	18%
Jun	19270	24500	27%
Jul	19190	26000	35%
Aug	19040	25800	36%
Sep	19160	26400	38%
Oct	20590	28000	36%
Nov	20610	28200	37%
Dec	22410	30500	36%
Exchange Rate	69	Local Currency/US \$	
Date of Quote	2/13/2011	MM/DD/YYYY	

## Commodities:

Wheat

## Production:

Given favorable weather conditions, the Bangladesh wheat crop for MY 2010/11 is estimated at 900,000 tons from 400,000 hectares of land. Assuming continuing normal weather conditions, MY 2011/12 wheat production is forecast to reach 950,000 tons. While wheat cultivated area is estimated to have increased in response to high prices, limited land availability will result in significant competition from other remunerative crops like rice, corn, potato, and winter vegetables. The absence of suitable high yielding varieties (HYVs) and strong competition from imports will further limit growth in Bangladesh wheat production. Wheat cultivation remains a preferred option for non-irrigated land with low farm input-use (fertilizer, insecticides, and labor). Growing demand for animal feed has created more opportunities for high quality hybrid seed corn cultivation.

## Consumption:

Wheat consumption for MY 2011/12 is forecast at 3.7 million tons, a 5.7 percent increase from the MY 2010/11 estimate. Although wheat distribution under the GOB Public Food Distribution System (PFDS) has been scaled down in recent years, limiting consumption in rural areas, mid to higher income urban consumers are increasing their purchases of wheat. Wheat millers are seeing greater opportunity to replace coarse wheat flour 'Atta,' widely sold in loose bulk form, with more refined wheat flour packaged and marketed under a brand name. The organized baking sector, fueled by growing demand from the emerging hotels and restaurants industry (HRI) sector, is also contributing to an increase in higher quality wheat

consumption. In December 2010, the average wholesale price of wheat was 26,000 Taka (US \$371) per ton, a 34 percent increase from December 2009.

## Trade:

Wheat imports for MY 2011/12 are forecast at 2.8 million tons (500,000 tons by the public sector and 2.3 million tons through private commercial sales). For the MY 2010/11, wheat imports are estimated at 2.5 million tons. The GOB set a target to import 700,000 tons of wheat to build up stocks. As of January, 2011, government imports reached 418,000 tons. The public sector accounts for about 20 percent of the 2 million tons of wheat imported into Bangladesh during July-January period of MY 2010/11. In the previous year, during the same period, government imports constituted 5.7 percent of the 2.12 million ton total. While Bangladesh traditionally imports wheat from India, Russia and the Ukraine, export bans and tight supplies have led Bangladesh to seek suppliers in Canada and Australia.

## Stocks:

MY 2010/11 wheat beginning stocks held by the public sector also declines to 180,000 tons (in MY 2009/10, beginning stocks were 385,000 tons). As of December 31, 2010, government wheat stocks were 280,000 tons, 13 percent higher than the previous year. Assuming normal conditions, the GOB is expected to increase its wheat stocks to 500,000 tons. Trade sources indicate that approximately 1 million tons of wheat is in the hands of millers and the traders.

## Policy:

Wheat imports are currently duty free. There are no quantitative restrictions on wheat imports. However, the public wheat tendering process does not encourage wide participation. Many of the government tenders are never finalized as bidders often quote high prices to cover various risk factors. The GOB has recently taken some steps to bring specifications more in line with international practice – including reducing the performance guarantee (PG) from 10 to 5 percent, increasing the maximum shipment period from 30 to 60 days, and increasing the minimum quantity offered from 25,000 to 30,000 tons.

## Marketing:

Bangladesh is typically a market for less expensive lower quality wheat. While India's geographic proximity offers a clear competitive advantage, India's wheat export ban has compelled Bangladesh importers to seek alternative sources of supply, particularly in Eastern Europe and Central Asia. Some higher quality wheat is imported from Canada and Australia.

## Production, Supply and Demand Data Statistics:

**Table 4: Commodity, Wheat, PSD**

Wheat Bangladesh	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	400	400	400	400		420
Beginning Stocks	758	758	1,239	1,239		1,139

Production	850	850	1,000	900		950
MY Imports	3,331	3,331	3,000	2,500		2,800
TY Imports	3,331	3,331	3,000	2,500		2,800
TY Imp. from U.S.	0	0	0	0		0
Total Supply	4,939	4,939	5,239	4,639		4,889
MY Exports	0		0	0		0
TY Exports	0		0	0		0
Feed and Residual	0		0	0		0
FSI Consumption	3,700	3,700	3,800	3,500		3,700
Total Consumption	3,700	3,700	3,800	3,500		3,700
Ending Stocks	1,239	1,239	1,439	1,139		1,189
Total Distribution	4,939	4,939	5,239	4,639		4,889
Yield	2.	2.125	2.	2.25		2.2619
TS=TD		0		0		0

## Author Defined:

**Table 5: Commodity, Wheat, Import Trade Matrix**

Import Trade Matrix			
Country	Bangladesh		
Commodity	Wheat		
Time Period	Jul/Jun	Units:	
Imports for:	2009		2010
U.S.	-	U.S.	100,000
Others		Others	
Canada	400,000	Canada	1,150,000
Australia	300,000	Australia	600,000
Russia	300,000	Turkey	160,000
Ukraine	2,200,000	Russia	140,000
		Ukraine	200,000
Total for Others	3,200,000		2,250,000
Others not Listed	131,000		150,000
Grand Total	3,331,000		2,500,000

**Table 6: Commodity, Wheat, Prices**

Prices Table			
Country	Bangladesh		
Commodity	Wheat		
Prices in	2009	per uom	
Year	2009	2010	% Change
Jan	17930	19500	9%
Feb	18830	18830	0%
Mar	16260	18500	14%

Apr	15150	18400	21%
May	14980	18800	26%
Jun	15120	18400	22%
Jul	15160	18300	21%
Aug	15250	18400	21%
Sep	15340	22000	43%
Oct	15850	23800	50%
Nov	16040	23500	47%
Dec	19380	26000	34%
Exchange Rate	70	Local Currency/US \$	
Date of Quote	2/12/2011	MM/DD/YYYY	